Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Federal-State Joint Board on	)	CC Docket No. 96-45
Universal Service	)	

REPLY COMMENTS
OF
OAKLAND UNIFIED SCHOOL DISTRICT

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COMMENTS TO ELIMINATE CCL CHARGES

The Oakland Unified School District, the "District", notes that comments from Southwestern Bell Telephone Company and Ameritech, Local Exchange Carriers (LECs) recommend the significant reduction and even the elimination of carrier common line (CCL) charges. Furthermore, the comments of the two LECs recommend increases in the subscriber line charges (SLCs) which have been mandated through regulation. The justification for these rate increases to the end user, according to the comments, is that the recovery of costs to connect the interexchange carrier to the network is inconsistent with the 1996 Telecommunications Act. In its comments, Southwestern Bell states that even the Commission, in its NPRM, found that CCL charges are inconsistent with the 1996 Telecommunications Act.[1] Ameritech supports the Southwestern Bell's contention that CCL charges are disfavored by the Act. They state the CCL charges in excess of SLCs "...are the very kind of implicit subsidies that are disfavored in the Act."[2]

The District believes that neither the Federal Communications Commission in its NPRM nor the Act, itself, finds CCL charges anti-competitive or inconsistent with the Congressional intent to eliminate monopolies. The Act intends to establish the ground rules for competition in all telecommunications markets.[3] A careful reading of the concerns raised by the Commission's NPRM reveals that its concerns about anti-competitive behavior is not over the issue of end users not paying their 'fair share', rather it is over the issue of the entry of the LECs into the local distance interstate toll market with a distinct monopoly advantage over current long distance carriers.

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1 Southwestern Bell Telephone Company, Comments on NPRM, FCC, CC Docket No. 96-45, April 12, 1996, p. 4.

2 Ameritech, Comments on NPRM, FCC, CC Docket No. 96-45, April 12, 1996, p. 21.

3 FCC, Overview of the Telecommuncations Act of 1996, Internet, WWW.fcc.com//., p. 1.

PROBLEM OF LEC ENTRY INTO LONG DISTANCE MARKET

With respect to CCL charges, the Commission actually raises an entirely different issue. It states in the NPRM: "The current CCL charge appears to be inconsistent with the directives of the 1996 Act that universal service support flows 'be explicit' and be recovered on a 'nondiscriminatory basis' from all telecommunications carriers providing interstate telecommunications service."[4] The issue raised by the Commission is the problem of the LECs charging interexchange carriers for access to the network which the LECs will get without charge.

Currently, it is the responsibility for the LECs to maintain the public switched network. Carriers who use the public switched network to provide inter-lata services to end-users pay the LECs for access to end-users. These charges are called CCL charges and are a cost to the interexchange carrier for doing business. The LECs also receive a government-mandated end user fee called a SLC. All end users must pay this fee whether they make any long distance calls or not...whether they wish to have long distance access or not. Since the Act permits the LECs to enter into the interexchange, interstate long distance market, CCL charges become a problem, because the LECs have a competitive advantage over all other interexchange carriers. Currently, LECs are not assessed CCL charges. It seems that the LECs wish to hande the problem by eliminating the CCL charge. However, the District believes that the elimination of CCL charges is inconsistent with the requirement of the Act to provide "a competitive standard for all telecommunications markets".[5]

PROBLEM RESOLUTION THROUGH MARKET MECHANISMS

In its comments, Ameritech stated that "...the Commission should give the marketplace an opportunity to work and intervene only if necessary."[6] Furthermore, it stated that: "It would be a mistake to let regulation, rather than market demand, drive service parameters."[7] However, there does not seem to be any appreciation for the fact that for schools as well as other types of end users, long distance service represents a relatively small percentage of its total telephone expense. Many residential customers have no long distance charges. However, the LECs comments treat all end users as if they need equal access to long distance facilities. Southwestern Bell Telephone Company includes as Attachment 2, an article by Thomas J. Makarewicz, a Southwestern Bell Area Manager. Makarewicz' article, Efficient Telecom Pricing: Who Stands to Benefit?"[8], attempts to show that the consumer benefits from the elimination of CCL charges. But even he states

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[4] NPRM, para. 113, p. 52.
[5] FCC Overview, , op. cit. p. 1.
[6] Ameritech, op. cit., p. 15.
[7] IBID.
[8] Southwestern Bell Telephone Company, op. cit., Attachment 2.

that there are no benefits for those such as schools which use very little long distance service compared to other users such as the major corporations. Makarewicz says: "Admittedly, not every customer benefits from the move toward pricing efficiency. Consumers would benefit only if they gain more from a lower interstate long-distance rate than they pay for the switching-port charge and higher SLC." [9] Eliminating CCL charges and raising the government -mandated SLCs will result in an unfair penalty for low end users such as schools and a boon for high end users such as corporations. Most corporations are multinational with far-flung locations throughout the United States and all over the world. They benefit a robust and ubiquitous interexchange, interstate long distance network. As heavy users, they should pay their fair share of the costs for maintaining it. In the Information Age, this interexchange network earns large corporations billions. Low end users should not be forced through government mandates to pay a disproportionate amount of the costs for supporting this network.

HOW SCHOOLS ARE DISADVANTAGED

This issue is of particular importance to schools which are low users of long distance service. Many school sites desire inexpensive methods for preventing the unauthorized use of telephone service during non-school hours. Those smaller school sites with small key systems or even single measured business lines which desire to restrict long distance calls have few options. One school in the District, Kaiser Elementary, which had a normal telephone bill of $7.00 per month over a three month period experienced long distance toll fraud totaling over $3000. Of course, this is an extreme example, but it dramatizes the problem. On the other hand, many sites experience isolated incidents of telephone abuse, i.e., calls to Reno or to a relative or friend in another state. The cost to the school does not justify the expense of any effective countermeasure. Call Controller equipment cannot be justified. In part, this problem is caused by the regulatory mandate that all lines have access to the long distance network. If a schools were permitted the right to purchase only the service it needed, only selected telephones would have long distance access. The school could reduce its telephone costs and not require the additional expense of call restriction.

Another way to look at this problem is to understand that many of the District's telephone lines are connected to automated intrusion and fire alarms as well as electrical and heat monitoring circuits. These lines only call out to another district location which monitors alarm conditions and dispatches the approporate emergency team. The district does not need long distance access on these lines. If Congress truly intended the Act to create market conditions for telephone services, the government would not mandate that schools must pay for services the schools do not require. These government mandated access charges, SLCs, merely put an unfair economic burden on schools and other organizations which do not require that all telephone lines have long distance access. This government mandate puts another economic burdern on schools and others in a

[9] IBID., p. 28.

similar situation by creating circumstances requiring that schools either pay for methods of controlling unauthorized or fraudulent long distance telephone calls or suffer leakage as a result of telephone abuse which is too minimal to take effective countermeasures.

ACT REQUIRES UNBUNDLED ACCESS

Finally, the Act requires "unbundled access". It states that it is the duty of each LEC to provide "access to network elements on an unbundled basis at any technically feasible point... ".[10] As has already been mentioned, there is no technical reason for long distance access not to be "unbundled" from the local loop. If the LECs choose not to offer such a service, such an unbundling would offer a competitive business opportunity to another telecommunications provider.

RECOMMENDATIONS

This issue can be resolved using a market approach. The necessary costs for maintaining the network should be charged to those carriers who who require these network services in order to conduct their normal business activities and who derive economic benefit from it. To that end, the District also supports Ameritech's comments calling for the utilization of market mechanisms in this area. In addition, the District makes the following recommendations:

1. Eliminate of all government-mandated subscriber line charges (SLCs)

Consistent with a market driven telecommunications approach, end users should be given a choice as to whether or not they want access to a long-distance carrier. Carriers should be permitted to charge their customers a market based price for long distance access. The charges could be based upon usage or some fully allocated costing formula for maintaining the network. A significant service charge consideration is the benefit customers enjoy through "easy access" automatic service connection to the selected carrier's point of presence (POP) facilities. If a end user chose not to pay for a permanent access to a carrier, access to the long distance network could be provide by selecting a carrier at the time a call is placed. The caller would suffer the inconvenience of having to dial a greater number of digits. In addition, the carrier could charge higher usage rates to cover the access costs on services that do not have permanent access. This approach is being recommended for interexchange long distance calls from pay telephones.[11] A separate tariff should be offered all end users who wish not to be charged any end user access charges. All tariffs for lines with access to an interexchange carrier should have the access charges set by the selected carrier. These rates will ultimately be determined by competitive market activity. There will be no burden on the LECs. All telephone lines

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[10] 1996 Telecommunications Act, Title I, Part II Section 251(c)(3)

[11] Southwestern Bell Telephone Company, op. cit., p. 4.

must have a PIC code to get access to the long distance facilities of a long distance carrier. Presently, if a subscriber does not select a long distance carrier, the LEC chooses one for the subscriber. However, if the LEC did nothing, the subscriber would have local service, but no long distance service. What is being recommended is that the subscriber be given the choice not to choose a long distance carrier and not to be billed for long distance rates.

2. Standard Carrier Common Line (CCL) Rates

All interexchange carriers should bear the cost of maintaining the public switched network from which they derive significant value in the form of revenue. In a market-driven economy, the cost of opportunity is charged to the provider rather than the consumer. The provider costs its product or service in such a way as to recover its investment, make a return on investment, i.e., profit and meet competitive challenges. Since the carriers will have the ability to "pass through" CCL charges, equity issues will be of no concern. Standard CCL rates will insure that the network will be maintained with integrity and consistency. Standard CCL charges will not be subsidies; they will be the costs incurred by telecommunications for doing business. The carriers will recover their costs in accordance with the market principles of "return on investment". These returns will be found in the charges to users of the service.

3. Prohibition of Interexchange Line of Business Subsidies for LECs

While the Act permits LECs to enter the interexchange, long-distance business, it does not permit entry to be subsidized by local rates. Mechanisms should be put in place to guarantee that the LECs do not enjoy a competitive advantage over other telecommunications carriers. Since the LECs, themselves, will pay standard CCL charges, it will be important that these payments are not subsidized by other tariff services.